

## Message Text

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ORIGIN ARA-10

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DRAFTED BY ARA/LA:PJDEVOS:MJT

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FM SECSTATE WASHDC

TO AMEMBASSY BRUSSELS IMMEDIATE

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TOSEC 15

FOLLOWING REPEAT BRASILIA 4582 ACTION SECSTATE INFO  
RIO DE JANEIRO SAO PAULO 24 JUNE 1974. QUOTE:

LIMITED OFFICIAL USE BRASILIA 4582

DEPT PASS DEPTS OF TREASURY AND COMMERCE

E. O. 11652: N/A

TAGS: ETRD, EFIN, BR

SUBJECT: COUNTERVAILING DUTY ON SHOES

1. OUR COUNTERVAILING DUTY INVESTIGATION ON BRAZILIAN  
SHOES CONTINUES TO BE THE SUBJECT OF CONSTANT AND CONSIDERABLE  
PRESS ATTENTION HERE. FROM THE DAY THE INVESTIGATION WAS  
ANNOUNCED BY THE U.S. TREASURY, THE PRESS HAS GIVEN THIS TOPIC  
PROMINENT PLAY; NEEDLESS TO SAY, ALL OF THE COMMENTARY HAS  
BEEN UNFAVORABLE TO US. FOR EXAMPLE, THE PRESS HAS PLAYED  
THE DECISION OF THE ECONOMIC DEVELOPMENT COUNCIL TO MAINTAIN  
THE PRESENT EXPORT INCENTIVE SYSTEM (SEE BRASILIA 4527)  
WITHIN THE CONTEXT OF THE U.S. COUNTERVAILING DUTY INVESTIGATION  
ON BRAZILIAN SHOES. IN ADDITION, PUBLIC OFFICIALS HAVE MADE  
NUMEROUS PRONOUNCEMENTS DEFENDING THE SHOE INDUSTRY'S POSITION  
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AND PLEDGING CONTINUED GOVERNMENT SUPPORT FOR THE EXPANSION

OF EXPORT MARKETS.

2. THIS DEMONSTRATION OF BRAZILIAN GOVERNMENT'S INTEREST IN AND CONCERN FOR THE SOCIALLY SENSITIVE AND ECONOMICALLY IMPORTANT SHOE INDUSTRY HAS BEEN DRAMATIZED DURING THE PAST TWO WEEKS BY THE PRESENCE OF PRESIDENT GEISEL AT THE OPENING OF SHOE FAIRS IN FRANCA AND NOVO HAMBURGO, THE TWO LARGEST SHOE PRODUCING CITIES IN SAO PAULO AND RIO GRANDE DO SUL, RESPECTIVELY. IN A SPEECH AT NOVO HAMBURGO DELIVERED IN THE PRESENCE OF PRESIDENT GEISEL, THE MINISTER OF INDUSTRY AND TRADE, USING A KIND OF SEMI-NATIONALISTIC RHETORIC SELDOM HEARD IN PUBLIC STATEMENTS AT THIS LEVEL, MADE A DIRECT LINK BETWEEN U.S. ACTION ON SHOES TO PARTICIPATION IN THE MASSIVE ITAIPU PROJECT. MINISTER GOMES STATED IN PART: "WITH RESPECT TO OUR FOREIGN TRADE, THE IMPERATIVE OF OUR POLICY IS TO FIND NEW MARKETS AND TO DIVERSIFY OUR EXPORTS, INCREASING TRADE AND ELIMINATING CONSTRAINING AND UNACCEPTABLE DEPENDENCIES THAT ARE GENERATING RESTRICTIVE THREATS MENACES WHICH WE WILL KNOW HOW TO MEET. OUR ASPIRATION, IN THE MEANTIME, IS TO PARTICIPATE IN A BIGGER WAY IN A WORLD MARKET (FOR SHOES) WHICH HAS AN IMPORT CAPACITY OF MORE THAN ONE BILLION PAIRS ANNUALLY. IT IS IN THIS CONNECTION THAT THE MINISTER OF MINES AND ENERGY IS STUDYING, WITHIN HIS PLAN TO EXPAND OUR HYDROELECTRIC CAPACITY, THE POSSIBILITY OF PURCHASING TURBINES FROM THE SOVIET UNION, THUS OPENING NEW POSSIBILITIES FOR OUR FOREIGN TRADE." THE SPEECH RECEIVED WIDESPREAD ATTENTION, BUT ONLY THE INDEPENDENT JORNAL DE BRASILIA GAVE IT FRONT-PAGE HEADLINE TREATMENT. THE SAME PAPER FOLLOWED UP WITH AN EDITORIAL PRAISING THE POLICY AND COURAGE OF MINISTER GOMES' SPEECH AND INCLUDING THE FOLLOWING: "...GOMES' SPEECH WAS A FIRM ASSERTION OF POLICY AND COURAGE, WHICH WAS MOST SIGNIFICANT HAVING BEEN DELIVERED IN THE PRESENCE OF THE PRESIDENT OF THE REPUBLIC AND IN HIS NAME ... (THE SPEECH) PUT ASIDE THE FAINTHEARTED CONVENTIONALISM WHICH HAS SURROUNDED BRAZIL'S RELATIONS WITH THE U.S. AND TRIED TO PLACE THESE RELATIONSHIPS WITH RESPECT TO ECONOMIC PROBLEMS ON A REALISTIC LEVEL."

3. THE SPEECH WAS EVIDENTLY INTENDED TO HAVE A DOUBLE PURPOSE: FIRST, TO EXERT RATHER CRUDE "PRESSURE" ON THE U.S.G.; AND, LIMITED OFFICIAL USE

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SECOND, TO REASSURE THE UNEASY BRAZILIAN SHOE MANUFACTURERS (SEE BRASILIA 4527). FOR ALL ITS SIMPLISTIC TONE, THE IMPORTANCE OF THE SPEECH, ALMOST CERTAINLY KNOWN AND APPROVED BY GEISEL, SHOULD NOT BE UNDERESTIMATED. THERE IS REASON TO BELIEVE THAT, IF HEAVY COUNTERVAILING DUTIES ARE APPLIED, THE GOB WOULD EXAMINE CAREFULLY AREAS OF POSSIBLE REPRISAL. THE GOMES SPEECH WAS INDICATIVE OF SUCH THINKING IN SOME SECTORS OF THE GOB.

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